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SUBJECT: BLUE LANTERN: DISCUSSIONS WITH EMBASSY, CHILEAN,
AND INDUSTRY OFFICIALS SEPTEMBER 25-26

¶1. (U) SUMMARY: Compliance Specialist Judd Stitzziel from the Department's Office of Defense Trade Controls Compliance (PM/DTCC) met 25-26 September 2008 in Santiago with embassy, Chilean, and industry officials to discuss implementation of the Blue Lantern end-use monitoring program and U.S. export control licensing and policy issues in Chile. In the context of an expanding bilateral defense trade relationship, the visit included very productive meetings with senior Chilean military officers and defense industry representatives as well as a site visit to state-owned aeronautics firm Empresa Nacional de Aeronautica (Enaer). The visit appears to have met the objectives of improving understanding of the Blue Lantern end-use monitoring program and USG defense trade laws and regulations. END SUMMARY.

¶2. (U) Administered by the Department's Office of Defense Trade Controls Compliance (PM/DTCC), Blue Lantern is a global program designed to verify the end-use, end-users, and disposition of commercially exported defense articles, technology, and services. This visit to Chile was part of PM/DTCC's ongoing efforts to improve the effectiveness of Blue Lantern through outreach visits with posts, host governments, and industry.

PREPARATORY MEETING AT CHILEAN EMBASSY IN WASHINGTON

¶3. (U) In order to help lay the groundwork for a successful visit, Compliance Specialist Judd Stitzziel from PM/DTCC and Senior Licensing Officer Yolanda Gantlin from the Department's Office of Defense Trade Controls Licensing (PM/DTCL) met with Ministry of Foreign Affairs (MFA) and Ministry of Defense (MOD) officials at the Chilean Embassy in Washington on September 16. Among the dozen Chilean participants were Isauro Torres, Minister counselor; GEN Andres Avendano, Defense Attache and Chief of the Military Mission to the U.S.; COL Nelson Vega, Chief of Logistics Department, Chilean Air Force Mission; and LCDR Rodrigo Corvetto, Head of the Purchasing Department, Chilean Naval Mission. At the end of the very positive and productive meeting, the Chileans expressed appreciation for the briefings on PM/DDTC's end-use monitoring and licensing policies and procedures and offered to facilitate meetings for the export control team with their colleagues in Chile.

EMBASSY BLUE LANTERN BRIEFING

¶4. (U) At Embassy Santiago, DCM Carol Urban chaired an interagency meeting to discuss the Blue Lantern program in Chile. Attendees included Juan Alsace, Economic and Political Counselor; Jennifer Spande, Senior Political Officer; COL Kevin Karol, Defense Attache; George Spoth,

Logistics Plans and Programs, U.S. Military Group; Isabel Valenzuela, Foreign Commercial Service; and Jennifer Bucalo, Regional Affairs Office.

15. (SBU) Stitzziel briefed the mission and actions of Blue Lantern, both globally and in Chile. Since 2002, PM/DDTC has received over 2,000 applications for commercial defense exports to Chile worth more than one billion dollars. During that time, 37 Blue Lantern checks were conducted, including 22 pre-license checks and 15 post-shipment verifications, on applications and licenses that listed end-users in Chile. Of these 37 cases, only one was closed "unfavorable," meaning that the facts determined by the check were not consistent with the information listed on the application or license. Chile's "unfavorable" rate of three percent is significantly lower than the global average during the last several years, which has ranged between 16 and 23 percent. Embassy Santiago's average response times of 43 days for pre-license checks and 77 days for post-shipment checks are within the normal range globally.

16. (U) The number of checks in Chile has increased in recent years, and the program is anticipated to continue to grow as bilateral defense trade and the volume of direct commercial sales (DCS) increase. Participants discussed strategies for addressing specific past challenges of the program in Chile, including finding the right GOC point-of-contact and GOC officials' sometimes lengthy delays in responding to Blue

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Lantern requests. Given the EPOL Section's limited resources, Stitzziel encouraged post to draw on the full range of country team resources, including ICE, MILGP, DAO, and Foreign Commercial Service (FCS), when conducting checks. EPOL and FCS already have effectively collaborated on a number of defense trade control issues.

ENAE SITE VISIT

17. (U) Stitzziel and Spande visited the state-owned aeronautics firm Empresa Nacional de Aeronautica (Enaer) on September 25 in order to brief company officials on the Blue Lantern program and related export control issues and to learn about the firm's operations and export control procedures. Enaer representatives included Max Eric Arancibia Lizama, Chief of the Logistics Department, and Marco Sciolla, Marketing Manager.

18. (U) Enaer has appeared on more than 260 PM/DDTC license applications, operates a Lockheed Martin certified maintenance facility, and performs modifications, upgrades, repairs, and maintenance on a number of U.S.-origin aircraft platforms, including the C-130, F-4, F-5, and F-16 airplanes and the UH-1H helicopter. In addition to offering an overview of corporate operations, Enaer officials posed numerous thoughtful questions, demonstrated a working knowledge of U.S. export control regulations and restrictions, and expressed eagerness to fully comply with all U.S. export control regulations and to cooperate with end-use monitoring checks, stressing the importance to the company of the U.S. market.

CHILEAN GOVERNMENT AND INDUSTRY BRIEFINGS

19. (U) Approximately two dozen Chilean defense industry representatives participated in a presentation and discussion led by Stitzziel of the Blue Lantern program and related export control issues, including third-party transfer requests and State export licensing fundamentals, in the morning of September 26. Attendees included both brokers and representatives of U.S. and Chilean companies, including Galvarino Systems, BS Logistics, Raylex, Sociedad Harbst y Cruz, Thomas Bertie & Co., Promil, I Systems, Carlos Nazar Representaciones, PCS Aerospace & Marketing, Nimrod International, CYM Chile, FAME, Proaero, Air Sea Land, Aeroservicio, Kellstrom, Northwest Helicopters, Rotorcraft,

Werner Aero Services, Air Technology, Cessna, Garmin, S-TEC, MD Helicopters, Sikorsky, HSI, Beechcraft, BMS, Roadcast, Harris Corporation, L-3, Nivisis, DRS, Insight, Relli Technology, Nightline, Airborne Systems, ATK, and several others. The briefings prompted lively discussion and detailed questions. In response to expressions of frustration over misunderstandings or delays caused by inaccurate or incomplete information provided by U.S. exporters, Stitzziel encouraged industry representatives to consult PM/DDTC's website and, when appropriate, PM/DDTC's response team, and to attend educational conferences and seminars such as those offered by the Society for International Affairs (SIA). There was general consensus that the meeting facilitated a very informative and productive exchange of information for all involved.

¶10. (U) In the afternoon on September 26, Stitzziel led a presentation and discussion with more than a dozen Chilean government and military officials as well as senior officers from the U.S. Military Group. Chilean participants included Pablo Castro from the MFA's Special Policies Department as well as senior procurement, logistics, acquisitions, and contract officers from the Army, Navy, and Air Force. U.S. military participants included CAPT Richard Goodwyn, Defense Attache; CAPT J. Renee Finch, Chief of the Naval Section in Valparaiso; and COL Glenn Huber, Jr., of the Defense Attache Office. Stitzziel's briefs on the Blue Lantern program, third-party transfer requests, and State munitions export licensing fundamentals sparked lengthy discussions and in-depth questions not only about those issues, but also about the similarities and differences between direct commercial sales (DCS) and foreign military sales (FMS), a source of much confusion and misunderstanding in the past. The participation of MILGP officials was particularly helpful in addressing the latter issue.

¶11. (U) PM/DTCC would like to express its gratitude to WHA/BSC, Embassy Santiago, and especially control officer Jennifer Spande for her exemplary work in helping to arrange and execute this visit.
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